MART® 84

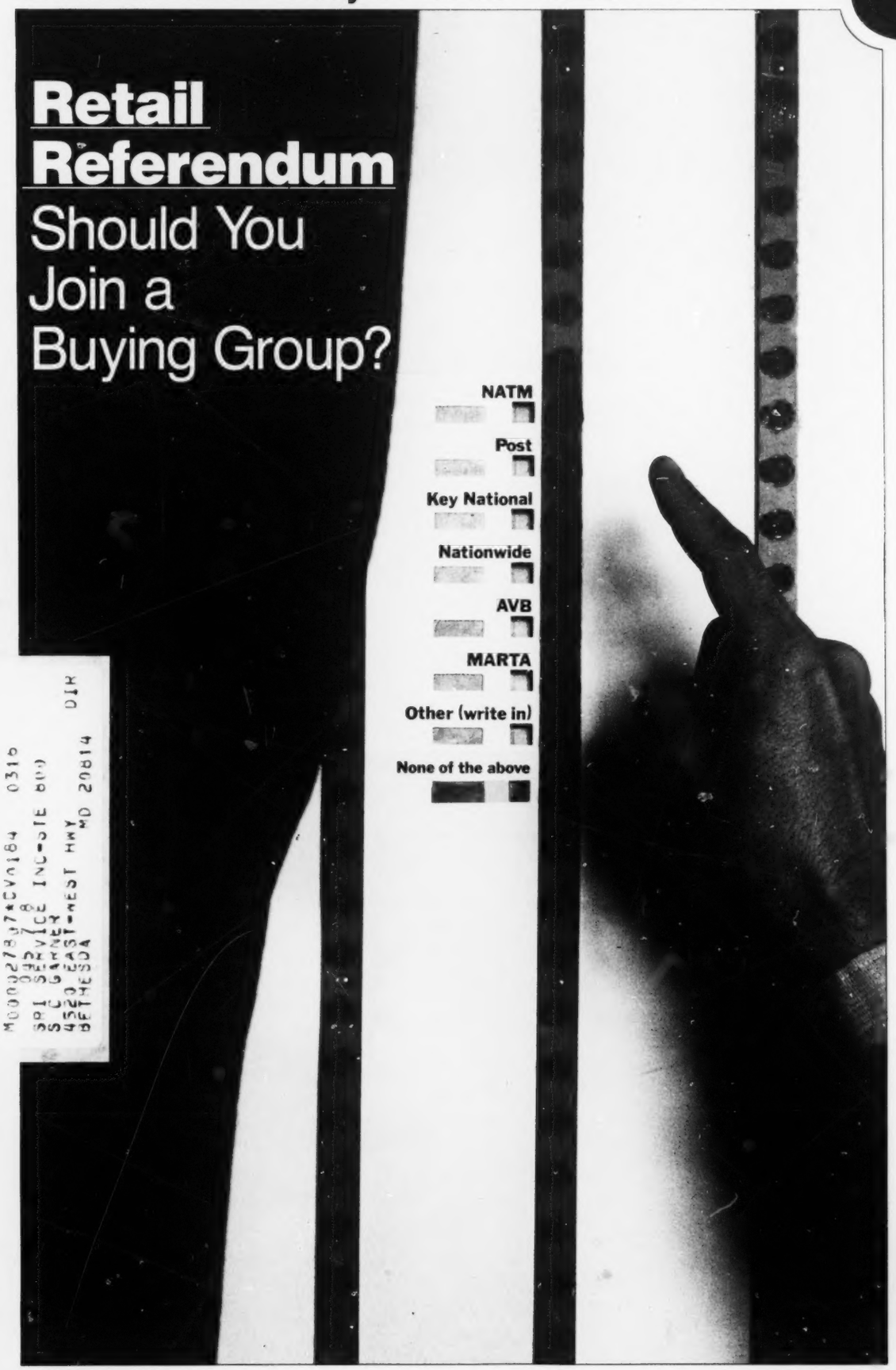
March 1984

Business Ideas Today's Retailer Needs to Know

A Gordon Publication

Retail Referendum

Should You Join a Buying Group?



Home Computing Retailer
How Two Specialists Tackle the Market

RETAILING 84

- More Sales = More Profits ...Or Do They?
- What Consumers Plan to Buy This Year

APPLIANCES 84

- 'Color Wars' Hot Topic at Recent Builders Show
- Floor-Care Buyers Plan for Spring Cleaning

ELECTRONICS 84

- Music Video: Waiting to Catch the Beat at Retail
- CD Suppliers Spend Big to Build Identity

Spotlight;
Radio Shack's Bernie Appel

ESTABLISHED 1953

MART 84

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Volume 30, Number 7

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Home Computing Retailer

How Two Specialists Tackle the Computer Market

RETAILING 84

Spotlight

Radio Shack's Bernie Appel

Sales prospects look good, as retail tests continue on two specialty approaches

Is specialization the right way to go in selling fast-growing products such as telephones and computers?

The Radio Shack chain expects to find that out this year, as it evaluates its specialty-store program combining those two hot categories and breaking out telecommunications products into their own specialized operations.

At the same time, parent company

Radio Shack's Bernie Appel sees a good year ahead, especially for his firm's specialty operations.

Tandy Corp. is looking into broadening the product mix at its traditional Radio Shack outlets, with a line of pre-recorded video software currently under consideration, for example.

For about a year now, Radio Shack has been testing a chain of prototype telephone-specialty stores, both as free-standing units and in combination with Radio Shack Computer Centers.

The first Telephone Centers opened in February and March, 1983, in Texas and Kentucky, as telecommunications-only outlets. They carried the regular Radio Shack telephone line (acknowledged by industry sources to represent nearly 20 percent of the answering-machine market and from 10 to 15 percent of the cordless-phone business even before the specialty stores opened), selected consumer telephones and accessories under both the Radio Shack label and, occasionally, other brands,

[Continued on page 8]

What Consumers Plan to Buy in '84

Phones, color-TV sets rank highest in consumers' intended electronics purchases

Which consumer-electronics products and major appliances do consumers intend to buy next . . . and which items should retailers concentrate on promoting during 1984?

According to results of a recent intent-to-buy survey, telephones top consumers' "most-wanted" lists for the next year, followed closely by color-television sets. On the appliance side, refrigerators and vaccum cleaners lead in consumer buying intentions.

The survey, conducted by Industrial Marketing Research, questioned 4,225 U.S. households during the fourth quarter of 1983, asking which products these consumers intended to purchase during the next one-year period. The results? Nearly 29 percent said they plan to buy a telephone during the next year, while 23.6 percent of these consumers said they plan to purchase a color-TV set.

Some of the newer consumer-electronics products, on the other hand, appear to have a ways to go before reaching noticeable penetration: only 0.9 percent of the survey respondents said they plan to purchase a component-TV set in the next year, and only 0.7 percent said they will buy a digital-audio-disc player.

PERCENTAGE OF CONSUMERS INTENDING TO BUY	
Telephone	28.6
Color-TV set	23.6
Blank video cassette	15.4
Clock radio	14.7
Vacuum cleaner	11.8
Refrigerator	11.3
Blank audio cassette	10.4
Cordless telephone	10.4
Washer	10.4
Dryer	10.1
Video-game software	9.8
In-dash car stereo	9.8
Countertop microwave	9.3
Personal computer	9.0

Among major appliances, 11.3 percent of these 4,225 consumers said they plan to buy a refrigerator in the next year, while 11.8 percent said they expect to purchase a vacuum cleaner. Slightly over 10 percent also indicated they are likely to buy a washer or dryer. Countertop microwave ovens were cited as intended purchases by 9.3 percent of these consumers; over-range microwave models, however, were listed by only 1.9 percent of the respondents as intended purchases in the next year.

Among the other products making a strong showing on Industrial Marketing Research's intent-to-buy list were blank video cassettes (mentioned by 15.4 percent of these consumers), blank audio cassettes (by 10.4 percent), clock radios (by 14.7 percent), cordless phones (by 10.4 percent), video-game software (by 9.8 percent), in-dash-car-stereo players (by 9.8 percent), and personal computers (by 9 percent).

For additional information on this survey, contact Industrial Marketing Research, 501 W. Ogden Ave., Hinsdale, IL (312) 654-1077.□

Promotion Idea: Send Sales Soaring With 'Frequent-Shopper' Program at Retail

NAB VP sees revolution ahead in retailing — in people, selling, technology

If it works for the airlines, why not try it at retail?

The "it" in this case is the frequent-traveller program, used successfully in the past two years by the major airlines to build customer loyalty. So why not offer a "frequent-shopper" program at retail, giving customers incentives for coming back to your store for repeat purchases?

That's the suggestion of Alfred Eisenpreis, vice president, retail marketing, of the Newspaper Advertising Bureau. At the recent National Retail Merchants Assn. convention in New York City, Eisenpreis said, "A 'frequent shopper's' cumulative purchases could be tracked through the year, with bonuses on reaching different purchase levels. Special incentives could be built in to stimulate shopping on slow days, or for slow-moving merchandise. And it would be a marvelous promotional plus, as the airlines have found out."

At the NRMA convention, Eisenpreis predicted four "revolutions" ahead in retailing by the end of the 20th century. "These are not the violent kind, but the other meaning of the term 'revolution': a turning of wheels," he explained.

Eisenpreis' "revolutions" include:

• A *revolution in place of sales,* because retailers are not making the store space they have work hard enough.

"From 1972 to 1982, sales per square foot for the top 13 department and discount companies rose only 5.4 percent compounded annually . . . Not good," he said. Eisenpreis suggested using more advertising to draw traffic, and that retailers consider changing their stores from a departmental to a product-line basis.

• A *"people" revolution,* including a rehumanizing of the retail selling floor: "In the 60's and 70's, because of escalating wage costs and a tight labor market, many stores cut back on salespeople in favor of self-service. If we reposition store work as a rewarding career, practice outreach, provide effective training and discipline, we can create a new sales-floor environment."

• A *revolution in technology,* especially the computer.

"Computers can make the selling process more efficient," Eisenpreis said, "by showing the customers a wide selection of merchandise in a few seconds."

Eventually, he told his retail audience, "we may see your computer talking directly with the newspaper's computer. Your computer could be programmed to automatically send clearance ads into print when merchandise becomes outdated or reaches a predetermined inventory level."□

Gas-Grill Sales Seen Nearing 3-Million Mark by 1987: Arkla

Over the next four years, gas grills will gain share in total barbecue sales

Gas grills should steadily increase their share of the total barbecue business over the next four years, according to Arkla Industries, as industry sales climb to nearly 3 million units by 1987.

Last year, gas grills represented only 15.4 percent of all barbecue sales, Arkla research indicates; this year, that share should grow to 17 percent, with 1984 industry sales hitting the 2.2-million-unit mark. For 1985, the company projects industry sales of 2.5 million gas grills, with gas models accounting for 18.9 percent of total barbecue sales.

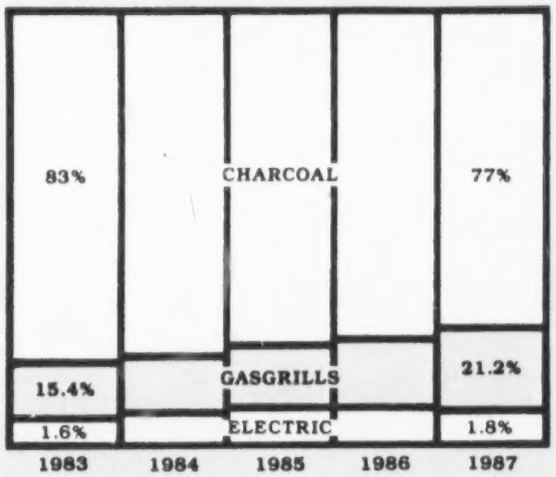
And by 1987, gas grills will represent 21.2 percent of the total barbecue market, with 2.9 million units projected to be sold that year.

Who's getting that gas-grill business? National department stores held 29 percent of the market last year, according to Arkla, with mass merchants representing another 22 percent of total volume. Appliance and specialty stores sold 14 percent of the gas grills in 1983, the company estimates, while home centers got 13 percent of the business and utilities got 10 percent.

From $151 to $200 was the most-popular price range for gas-grill sales last year, Arkla research indicates, while 30.1 percent of the sales came in the $100-to-$150 range. High-end models (priced from $200 to $299) represented 17.5 percent of the total, while under-$100 gas grills accounted to 12.6 percent of the business. Grills priced above the $300 mark represented 6.6 percent of total sales.

The gas-grill business continues to be heavily regional, with 42.5 percent of all sales coming in the eastern part of the country. The South is second-highest in sales, with 22 percent of the total.□

Barbecue-Industry Sales Projections (unit 5)



Source: Arkla Industries

Room at the Top

Robert D. Pollack has been promoted to marketing manager-garment care at *General Electric's* housewares operation. He was previously product manager-garment care for the housewares firm . . .

Jan O. Johnson is the new vice president of manufacturing for *Sunbeam Appliance Co.*; he was previously with *General Electric*. Also at Sunbeam, **Mark Austin III** has been named national sales manager; he was previously a regional sales manager with the firm . . .

Jeffrey L. Lake has been named national sales manager for *Regina*; he was previously with *Johnson & Johnson* . . .

Hobart Corp.'s KitchenAid division has named **Raymond D. Frey** sales promotion manager; he was previously the division's regional manager in Kansas City . . .

Paul Saxton has been named vice president, marketing, for *Sunbeam Appliance Co.* He was previously with Intermatic . . .

Newly elected head of the *Vacuum Cleaner Manufacturers Assn.* is **Kearney Kier**, of the Douglas division of *Scott & Fetzer Co.* **Robert J. Elsaesser** of *Hoover* was named vice president, and **Gilbert L. Dorsey** of *Eureka* is treasurer of the organization. . .

Broan Range Hoods Use New Design

Deliveries start shortly on Broan's new Microtek range hoods, using a new design the company claims "makes all other duct-free range hoods obsolete."

Don Schlegel, Broan executive vice-president, said the new Microtek range hoods use a multilayer filter design that is 36 times more effective than an ordinary deluxe range hood.

Broan's new Microtek System IV is used in its top-of-the-line convertible range hood, model 88000.

The Microtek system is being used in every duct-free and convertible range-hood model in the Broan line, and will be introduced in the company's Nautilus do-it-yourself hood line this month. The company has also designed a replacement filter using the Microtek materials for its previous range hood models.

Ductless models account for about half the range-hood market, Schlegel said.□

KitchenAid Plans More Cooking Appliances

Now that it's made its move into the cooking-appliance field, (MART, February, page 37), KitchenAid plans to add a new cooking-equipment product every nine to 12 months, according to President Glenn Olinger, who added, "Our first line is only the first step."

Why the move into cooking appliances for KitchenAid? "The premium built-in segment of the appliance business is attractive market," explained Marketing Vice President Chuck Evans. "It is upscale buyers looking for high quality and superior performance, not price."

The built-in market is also one in which no single brand dominates, he added.

The appliance dealer still holds the largest share of built-in appliance sales, according to KitchenAid research, with 34 percent of the built-in volume, compared to 29 percent for builders. And built-ins' share of the 28-million-appliance annual replacement market continues to be strong, Evans said.

KitchenAid is forecasting a 4.7-percent annual growth rate for the appliance industry through 1987.□

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ELECTRONICS '84

Music Video Moves to a Slow Beat

Rock videos are making noise, but their sales volume doesn't match the pitch

Last year the media, spurred on by M-TV, bombarded consumers with stories about the rock-video revolution. Video-software suppliers, buoyed by the mass-media flood, rushed titles to retailers, planning to cash in on the free publicity. And most video retailers were eager to accept all the music-software titles that had been made available.

However, when 1983 sales figures for music video were tallied, their market share was estimated at less than 5 percent of total pre-recorded-cassette sales.

Recent discussions MART had with video retailers nationwide tended to support these figures, with modest increases projected for music video for the first quarter. Yes, a lot of interest exists in music video, retailers say, but with few exceptions they are slow sellers, and do only average as rentals.

But, video dealers add, the category has major growth potential. If manufacturers take the nod from the best-selling Michael Jackson title, "The Making of Thriller," and start releasing more lower-priced cassettes, sales could soar. A recent study by F. Eberstadt & Co. concurrs with the retailers' evaluation, projecting that music video will expand to a 25-percent market share by 1988.

Meanwhile, video retailers are approaching music videos with caution.

"Sales and rentals of music videos have only been fair — I certainly wouldn't say they've been great," commented Jack Boisvert, proprietor of B and B Home Video, in Tewksbury, MA.

Strong rental music titles for Boisvert have included "The Compleat Beatles," "Tribute to Jim Morrison," and "The Charlie Daniels Band."

"We don't do much in sales of any of them, because the price is just too prohibitive," he said.

"However, what we rent probably reflects who our customers are — over-25 and under-40. That's probably also why we do well with some of the older Elvis stuff — it's always in particular demand. I wish we could get more of it — Elvis does well in both sales and rentals."

At Home Video Movies, in Lancaster, CA, most of the music-video action is in rentals, to a young crowd. "We don't stock too deep in music video — maybe 20 to 25 titles," said Jody Duntley, a salesperson at Home Video Movies. "With the exception of 'Thriller,' which is very hot, most

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CD Suppliers Pool Resources To Promote Consumer Awareness

Joint hardware/software promotions are underway to educate the public

As second, third, fourth—and even some belated first—generation CD players roll out onto dealers' shelves this spring, digital audio compact disc manufacturers are gearing up promotional plans aimed at expanding consumer awareness.

"Even in a place like New York City, people don't know what CD's about," remarked A.J. Menozzi, Magnavox director of marketing of home audio. "CD will become very explosive in the fall, but only when software increases and consumer awareness is raised," he prognosticated. "I suspect about 2,000 contemporary titles will be available this fall," he continued.

Explained Emiel Petrone, Polygram Records senior vice president for compact disc marketing, "Europe and Japan had time to promote CD before its launch in October of '82. As a result, awareness and demand were so high that software supply was funneled to Europe and Japan instead of to the states.

"In actuality, the U.S. launch was premature. Initially it was targeted for January, 1984, not April of '83," Petrone and Menozzi told MART.

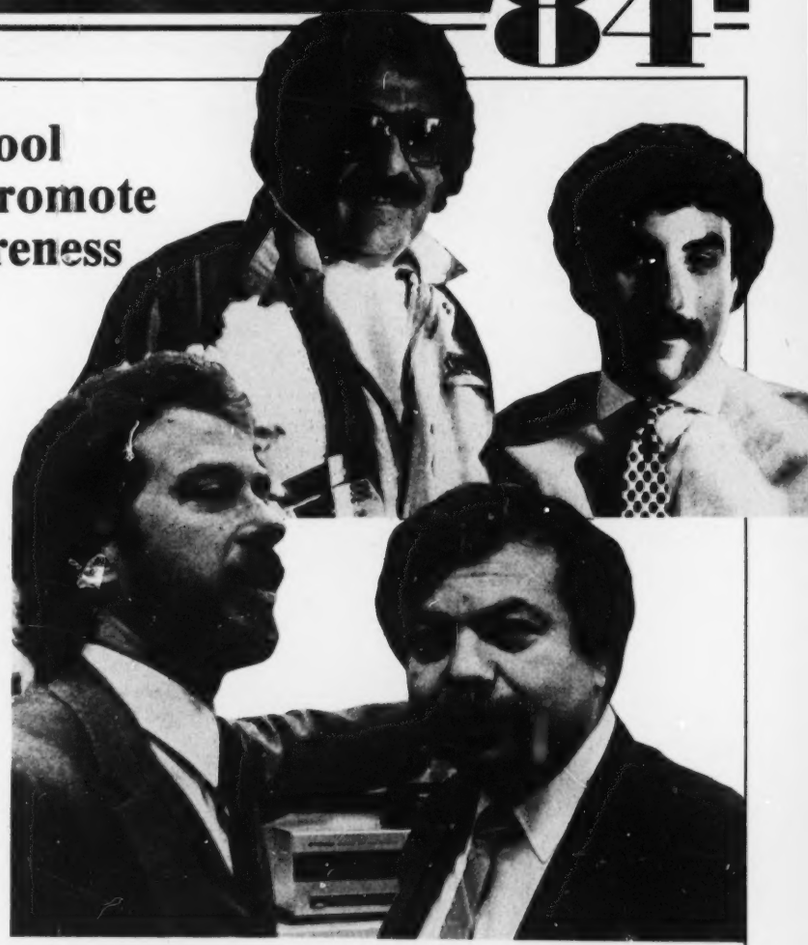
Petrone projects 15 million discs will be produced in '84 for domestic distribution, compared to 40.5 million discs available worldwide. "With the opening of the Terre Haute, IN, CBS/Sony plant later this year and increased production by all record companies, including Polygram, WEA, CBS/Sony, et.al, distribution in '84 should climb from 1,000 record stores to over 7,500 outlets in secondary markets," he told MART.

"Major markets such as New York, Los Angeles, Chicago, Boston, Detroit, and even Atlanta are less short in inventory on discs than elsewhere in the country," Menozzi added. He also pointed out that Lauries Record store and classical radio station WFMT in Chicago—which uses a Magnavox CD player—has also done a lot to boost CD awareness.

Yet Magnavox is holding off on a major promotional campaign until "more hardware is available," Menozzi admitted. With the fall launch of two new players—FD 2020SL and FD 3030SL at $699 and $799, respectively—"a line-up of major fall events will begin, especially as product reaches our major distribution."

Sony Corp. of America is supporting its commitment to consumer awareness by maintaining a busy promotional schedule this spring. Heading up the agenda is a joint promotion with Bose, CBS/Sony, WEA, and Polygram to sponsor the "ultimate Date with Digital" at the Dayton, FL,

[Continued on page 44]



Dealers can expect more CD support this year: (clockwise from top left) Polygram's Emiel Petrone sees broadened distribution reaching more than 7,500 retail outlets; Al Menozzi of Magnavox plans 'a line-up of major fall events'; Kenwood's Sam Rosenzweig is shipping a flagship player; Pioneer's Chris Byrne plans a cross promotion between hardware and software.

Wanted: More Consumer Education on Phones

Heavy ad and promo support is available to dealers from telephone manufacturers

Recognizing the fierce competition in the telephone industry today and the need to educate the consumer and support dealers, major telephone manufacturers are beefing up their advertising and support campaigns, ready to charge ahead into 1984.

"Both the manufacturer and the dealer have to do a better job of educating the consumer; consumers need convincing as to which product is best this year," Stephen Lanzilla, national sales manager at GNT Automatic, told MART.

"GNT will help with increased advertising in consumer publications that address our marketplace, and provide more displays and point-of-purchase materials," he added.

"In addition," he noted, "we have completely redesigned our packaging. It now has a lot of eye appeal and plenty of information for the consumer right on the box. If a salesperson is busy, the consumer can read and find out how the phone works, what features are available, and how it will benefit him or her."

To stress company image or create brand-name awareness, Cobra Communications will be advertising nationally on television from March through December, tracking the presidential campaign and the Olympics.

"This will be supported, in addition, with a print campaign in ma-

[Continued on page 45]

CD Suppliers Pool Resources To Promote Consumer Awareness

[Continued from page 43]

boardwalk Music Fest, held March 22-26. "We'll be going after the college students by exhibiting and demonstrating CD for kids on spring break," declared Marc Finer, Sony national promotions manager. Remote broadcasts from radio station WDIZ will flood the area, and music video clips showing artists on CD will also be presented. CD-sized frisbees will be dispersed as well.

To reach the hi-fi enthusiast, Sony has also organized a digital audio club. For a membership fee of $15, members receive "Sony Pulse," a quarterly newsletter about CD; a CD disc catalog; technological information and booklet; a poster of Sony's "7th Row Center" ad slick; and a CD sampler of digitally recorded jazz pieces, valued at $20. "We already have 1,000 active members," Finer confided.

'Basic players with no frills, no thrills—that is, no programming or remote control—at under $300, even $199, is feasible by 1986.'

On Sony Digital Nights in 22 markets nationwide through April, dealers will be judged on their efforts to display and demonstrate digital to Digital Club members. A prize will be awarded. The promotion will also reach smaller markets, such as Rochester, NY, Cedar Rapids, IA, and Tuscon, AZ.

And Sony plans to continue its joint promotion with CBS/Sony, Telarc, and WEA: with purchase of a Sony CD player, consumers can choose five discs from a selection of 23. "We want to offer retailers a promotional value which will highlight the high performance of the player rather than its price. And for retailers who ask, 'Is there enough software?', Sony is providing 23 selections as an assurance of availability," Finer concluded.

Sony is also providing collateral material and segues to 200 classical and jazz radio stations to tout CD. For example, to build consumer awareness in the four key markets of New York, San Francisco, Chicago, and Los Angeles, Sony prepared 10-day promotion with Polygram in February which featured interviews with Pavarotti, while tying in one key hardware and software dealer in each market.

Fisher Corp., which heavily promoted its $2,500 4900B rack system featuring the 4100 CD player, in its fall Bolero TV campaign in New York, Chicago, Los Angeles, and San Francisco, may continue this tactic the beginning of this year. The firm is introducing three new lower-priced systems, ranging in price from $1,300 to $2,000.

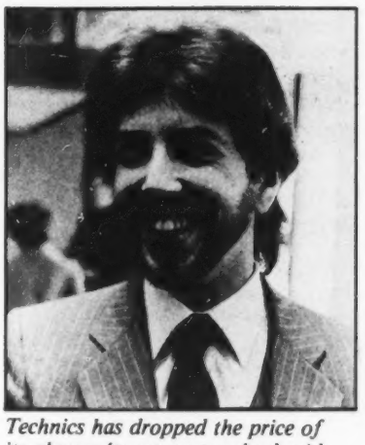
"CD will be wonderfully explosive in the second half," concurred David Karron, Fisher senior vice president of sales. "I am confident laser technology is here to stay."

Although Kenwood Electronics has begun shipping a flagship CD player in the $700 to $750 price range, the firm plans no promotional plans until more product is available. "Our player was rated the best of 21 by an independent survey in Japan. When dealers heard this, interest levels went up," Sam Rosenzweig, marketing vice president of home audio, told MART.

"But I'm also concerned about price point. If the market dictates a certain price and a unit is overloaded with features, such as a 50-watt receiver, it may only sell for $300 rather than $500. However the CD story is different.

"But CD acceptance will arrive when there are 3,000 titles and prices come down on disc software. Basic players with no fills, no thrills—that is, no programming or remote control—at under $300, even $199, is feasible by 1986," he projected.

Vince Wheeler, Aiwa national sales promotional manager, is also concerned about the price of players dropping below $200. "We held off introducing a CD player because price erosion is creating a loss in profitability right now. I hope the market settles down as vast quantities go out to today's consumer."



Technics has dropped the price of its players 'to generate sales,' said Paul Foschino.

Technics, which entered the marketplace in '83 with the SL-P10 player at $1,000 "to excite the consumer," according to Paul Foschino, merchandising manager, is now lowering the price on its SL-P7 and SL-P8 to below $600 and $700, respectively, in order to "go beyond educating the consumer and generate sales." Toward this end, Technics offers five free discs with each player purchased.

Hitachi Sales Corp. of America is also involved with giving away free software. "We're offering three free discs solely on our own," revealed Jon Duncan, area sales manager. "Consumers are still interested in CD, though they're not yet educated about it.

"However, by next Christmas, all manufacturers will come in with aggressive price points. And within the next 24 months, you'll also see third- and fourth-generation players that offer quality, value, and innovation at affordable prices."

Because Hitachi's new DAD 1010 player will be in limited supply, the firm is pushing its DAD 800 model, "with a one-year parts and labor warranty, not 90 days," added Duncan, as one of five anniversary pieces in its 20th anniversary Sell-A-Bration ad campaign. However, the DAD 1010 player is priced between $595 and $495 "to cultivate business at the mass merchandising level," continued Duncan.

Pioneer Electronics U.S.A. is introducing its CD players at "the mid price point of $749.95, which is geared for the mass consumer," noted Chris Byrne, vice president of marketing for home audio, "because an awareness factor is needed. But an incredible number of titles are becoming available faster than hardware, and by Christmas, supply should be adequate."

Bryne projects CD players will become mainstream adjuncts to home sound systems by '85. "Retailers are not afraid to sell the machine either," he said.

Pioneer plans to introduce additional players this year, offering step-up features. A cross promotion between hardware and software is also underway.

Called the "darling" of the audio industry by JBL President Jim Twerdahl, over 150,000 CD players are expected to sell in '84, an increase of 250 percent over 1983's factory shipments of 35,000 units. Dollar volumes are expected to climb to $60 million in '84, up from $15 million in '83.

Currently about 550 disc titles are available. Over 1,000 titles are due in April. And all the major record companies are planning on producing old as well as new titles in the CD format.

For example, Polygram Records has already released the first simultaneous versions of John Lennon/Yoko Ono's "Milk & Honey" in album, cassette, and disc format. In 1983, it produced 6 million discs and 200 titles, at its Hanover, Germany, plant, and plans to release 500 titles, or a total of 15 million, this year. Combined with titles custom-pressed for other labels, a total of 1,400 titles will be pressed in '84, according to Hans Gout, Polygram Senior Director for compact discs.

When CBS/Sony opens its 103,000-sq.-ft. factory in Terre Haute, IN, this summer, it plans on producing up to 11 million discs a year.

RCA Records plans to release 15 titles every other month. Delos Records hopes to have 45 to 60 titles by year-end; AM Records offers 40 titles so far. Telarc has 28 now, and hopes to offer over 50 by year-end by converting its back catalog and simultaneously releasing CDs and LPs. Mobile Fidelity Sound Lab is issuing four original master recording CDs, featuring Alan Parson, AL Stewart, Sonny Rollins, and Ravel.

In addition, the CD Group, currently consisting of 31 hardware and software suppliers, plans a $400,000 promotional program this spring. Slated are retailer road shows and CD celebrations in the New York and Chicago markets—"to educate salespeople and the market, and to win the hearts and minds of consumers on the retail floor," noted Steve Traiman, vice president and executive director of Recording Industry Assn. of America.

Software displays designed by Deijon will also be offered to dealers, in addition to a bi-monthly newsletter about CD players and promos, aimed at retailers.□ LESLIE A. AZIA

COMPACT DISC PLAYERS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1983 (proj.)	35	15
1984 (est.)	150	60

Source: EIA/CEG